

Message Text

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ACTION EUR-25

INFO OCT-01 EA-11 NEA-10 IO-14 ISO-00 SSO-00 CCO-00 SS-20

AID-20 CEA-02 CIAE-00 COME-00 EB-11 FRB-02 INR-10

NSAE-00 RSC-01 OPIC-12 SPC-03 TRSE-00 CIEP-02 LAB-06

SIL-01 OMB-01 NSC-10 AGR-20 AEC-11 SCI-06 STR-08 L-03

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TO SECSTATE WASHDC 1074

INFO AMEMBASSY ANKARA

AMEMBASSY ATHENS

AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY CANBERRA

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY HELSINKI

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AMEMBASSY LUXEMBOURG

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TAGS: EGEN, OECD, OVIP (CASEY, WILLIAM J.)

SUBJECT: HIGHLIGHTS OF OECD XCSS MEETING, NOVEMBER 8-9

1. SUMMARY. AT 5TH MEETING OF OECD XCSS NOVEMBER 8-9, WE MADE CONCRETE PROGRESS IN RALLYING SUBSTANTIAL SUPPORT FOR PURSUING IMPORTANT POLICY OBJECTIVES ON INVESTMENT/MNC'S AND AGRICULTURE. WE ALSO ACHIEVED CONFIRMATION OF IMPORTANT ONGOING WORK OF TRADE COMMITTEE ON SAFEGUARDS. END SUMMARY.

2. INVESTMENT/MNC'S. DESPITE EFFORTS BY FRENCH AND SOME OTHERS TO IMPEDE EXERCISE BY CALLING FOR STUDY IN GREAT DEPTH OF FACTORS AFFECTING INVESTMENT, WE WERE ABLE TO GAIN ACCEPTANCE FOR SECRETARIAT, EXPERT GROUP AND XCSS TO PUSH FORWARD WITH PRAGMATIC WORK PROGRAM EMPHASIZING CONSULTATIONS IN FRAMEWORK OF PRINCIPLES OF NATIONAL TREATMENT, TRANSPARENCY, AND AVOIDANCE OF INJURY TO OTHERS. AT SAME TIME, WORK WILL GO FORWARD ON CONSIDERATION OF POSSIBILITIES FOR HARMONIZING GOVERNMENTAL PRACTICES AFFECTING MNC'S AND DEVELOPING GUIDELINES FOR MNC'S. DEBATE THIS TIME WAS IN MORE CONCRETETERMS THAN AT EARLIER MEETINGS AND BROUGHT OUT MORE CLEARLY THAN BEFORE FUNDAMENTAL DIVERGENCIES ON SOME INVESTMENT ISSUES SUCH AS DISTORTIONS ARISING INVESTMENT AIDS. WE AND THE SWISS WERE ABOUT THE ONLY ONES WHO STRONGLY SUPPORTED FURTHER LIBERALIZATION OF INVESTMENT AS AN EXPLICIT POLICY OBJECTIVE; SOME OTHERS WERE EQUALLY FORTHRIGHT IN STATING THAT INVESTMENT POLICY IS OFTEN LEGITIMATELY USED TO DISTORT TRADE AND INVESTMENT FLOWS TO ACCOMPLISH NATIONAL OBJECTIVES. WE RECOGNIZED THE LEGITIMACY OF PURSUING DOMESTIC POLICY OBJECTIVES BUT EMPHASIZED THAT THERE OUGHT TO BE SOME PROCEDURES FOR CONSULTATIONS WHEN THOSE POLICIES ON THERE APPLICATION COULD BE INJURIOUS TO OTHER COUNTRIES. EC DEL GAVE INTERESTING REPORT ON COMMISSION POPOSALS FOR ACTION ON MNC'S, RECOGNIZED IMPORTANCE OF WIDER ACCEPTANCE AND SAID EC WOULD THEREFORE DISCUSS IN OECD AND UN.

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3. SAFEGUARDS, AND TRADE BILL. SAFEGUARD DISCUSSION WAS VERY BRIEF BUT ENDED UP WITH XCSS ENDORSEMENT OF TRADE COMMITTEE DECISION DIRECTING SECRETARIAT TO PREPARE SYSTEM-ATIC ANALYSIS OF VARIOUS OPTIONS AND ALTERNATIVE APPROACHES TO SAFEGUARD MECHANISM--DESPITE EC DEL'S REQUEST THAT OECD DEFER INDEFINITELY ANY FURTHER WORK ON THIS SUBJECT. XCSS KEPT OPEN POSSIBILITY TO RESUME DISCUSSION IN FUTURE AND IN LIGHT OF FURTHER WORK BY TRADE COMMITTEE.

4. U.S. TRADE BILL. SEVERAL DELS INCLUDING JAPANESE AND EC EXPRESSED SERIOUS CONCERN ABOUT PRESIDENT'S DECISION TO REQUEST POSTPONEMENT OF CONGRESSIONAL CONSIDERATION OF TRADE BILL, EMPHASIZING IN PARTICULAR THAT THIS COULD SLOW

DOWN MEOMENTUM AND PROGRESS IN MTN. BILL EBERLE EXPLAINED THE REASONS FOR THE DECISION, EMPHASIZING THAT DEBATE ON MFN TITLE COULD JEOPARDIZE SUCCESS OF CRUCIAL AND DELICATE NEGOTIATIONS FOR DURABLE PEACE IN MIDDLE EAST. BILL STRESSED THAT TEMPORARY DELAY DID NOT ALTER FIRM U.S. COMMITMENT TO MTN AND CALLED ON OTHER TO KEEP UP MOMENTUM AND PROGRESS I MTN.

5. AGRICULTURE. AS EXPECTED, OUR PROPOSAL FOR STUDY BY INDEPENDENT EXPERTS PROJECTING AND ANALYZING WORLD SUPPLY AND DEMAND SITUATION IN THE GRAIN-FEED-LIVESTOCK SECTOR RAN INTO TOUGH OPPOSITION FROM EC AND OTHER DELS WHO FEARED IMPLICATIONS FOR OWN POLICIES. IN A SHOW OF FLEXIBILITY AND WILLINGNESS TO ACCEPT SUGGESTIOS BY OTHERS TO BROADEN STUDY TO INCLUDE OTHER PRODUCTS AND FACTORS, HOWEVER, WE WERE ABLE TO OVERCOME MUCH OF THIS OPPOSITION AND GAIN ACCEPTANCE IN PRINCIPLE THAT SUCH A STUDY SHOULD BE UNDERTAKEN, I STRESSED THAT THE STUDY WOULD NOT CREATE POLICY NOR BIND ANYONE. BUT IT COULD BE IMMENSELY HELPFUL AT BOTH DOMESTIC AND INTERNATIONAL LEVELS IN WEIGHING THE IMPACT OF VARIOUSPOLICY ALTERNATIVES. SEC GEN VAN LENNEP AND CHAIRMAN JOLLES WERE HELPFUL IN USING FORMULATIONS FOR CARRYING STUDY FORWARD WHICH WERE GENERALLY IN LINE WITH OUR OBJECTIVES AND WERE HARD FOR FRENCH AND OTHERS TO ATTACK. BURDEN NOW FALLS ON SEC GEN TO FORMULATE SPECIFIC PROPOSALS FOR CONSIDERATION BY COUNCIL. CONSIDERABLE DOUBTS WERE EXPRESSED ABOUT FINDING "INDEPENDENT EXPERTS" TO DO STUDY WITH RESULT THAT SEC GEN MAY SUGGEST THAT STUDY BE DONE BY SECRETARIAT, LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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DRAWING AS NECESSARY ON HELP OF CONSULTANTS.

6. INTERRELATED ISSUES CONCERNING DEVELOPMENT COOPERATION. DISCUSSION THIS ITEM WAS HALTING, HESITANT AND INCONCLUSIVE. I WELCOMED THE SEC GEN'S INITIATIVE AND SAID THAT WE WERE TRYING TO WORK OUT A DEVELOPMENT STRATEGY BRINGING TOGETHER THE INTERRELATED TRADE, MONETARY AND INVESTMENT ASPECTS AS THEY AFFECTED THE DEVELOPMENT PROCESS. THIS APPROACH HAD MERIT AND I EXPRESSED THE HOPE THAT WE COULD EXAMINE IT IN THE FUTURE WITHOUT IMPINGING ON MORE SPECIALIZED WORK OF GATT AND IMF, FOR EXAMPLE, ON QUESTIONS OF NON-RECIPROCITY AND THE SDR LINK. I TOOK THE OCCASION TO REITERATE OUR POSITION ON THE LINK AS STATED BY SECRETARY SHULTZ IN NAIROBI. COMMENTS BY OTHER DELS INDICATED WIDE DIVERGENCIES ON BOTH SUBSTANCE AND APPROACH TO FUTURE WORK IN THIS FIELD. QUESTION WS LEFT IN "ALERT STATUS" FOR XCSS WITH CHAIR CONCLUDING THAT THIS PRELIMINARY DISCUSSION SHOULD GIVE IMPETUS TO ACTIVITIES ELSEWHERE IN OECD, ESPECIALLY IN DAC.

7. FUTURE WORK OF XCSS, THE DOMINANT THEME OF THE DISCUSSIONS OF ALL ITEMS AT THIS MEETING WAS SPECIAL ROLE XCSS HAD IN CONSULTING AND EXAMINING MAJOR POLICY ISSUES IN CONTEXT OF INTERRELATIONSHIPS AMONG TRADE, MONETARY, INVESTMENT, AND

RELATED ECONOMIC ASPECTS. THIS EMPHASIS WAS REFLECTED IN PROPOSALS BY CHAIRMAN AND SEC GEN FOR MAJOR ITEMS TO BE DISCUSSED AT NEXT XCSS. THESE INCLUDE: (A) REVIEW OF INTERNATIONAL ECONOMIC SITUATION BASED ON DOCUMENTATION PREPARED BY SECRETARIAT AND PERHAPS ASSISTED BY REPORTS FROM EPC AND WP3 CHAIRMEN, (B) INTERNATIONAL CAPITAL MOVEMENTS AND THEIR EFFECTS ON INTERNAL AND EXTERNAL EQUILIBRIUM, BASED ON DOCUMENTATION TO BE PREPARED BY SEC GEN AS XCSS REQUESTED AT ITS JULY MEETING, AND (C) USE OF TRADE AND OTHER CURRENT ACCOUNT MEASURES IN BALANCE OF PAYMENTS ADJUSTMENT PROCESS. WE INTRODUCED A STRONG NOTE OF CAUTION IN PARTICULAR WITH RESPECT TO POINT (C), ABOVE, POINTING OUT THAT DISCUSSIONS HERE SHOULD NOT OVERLAP WITH OR DETRACT FROM C-20 WORK. SEC GEN RESPONDED THAT STRONG INTEREST HAD BEEN EXPRESSED AT PREVIOUS XCSS MEETINGS AND DISCUSSION SHOULD NOT BE DEFERRED INDEFINITELY. MOREOVER, ISSUES IN QUESTION CORRESPOND WITH XCSS EMPHASIS ON EXAMINING INTERRELATIONSHIPS. NEXT MEETING SET FOR FEBRUARY 28-MARCH 1, 1974. CASEY.

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